

MILFORD SCHOOL DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING
AGREED-UPON PROCEDURES

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Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Valerie A. Woodruff
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

Robert D. Smith, Ed.D.
Superintendent
Milford School District
906 Lakeview Avenue
Milford, DE 19963

Dear Secretary Woodruff and Dr. Smith:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (the DOE) and Milford School District (the District) solely to assist you, the specified parties in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Section 525. Procedures were performed for student accounting and enrollment as of September 30, 2005. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2005. Management is responsible for the District's compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Finding: Based on the obtainment of the District's written policies and procedures we were able to determine that the policies and procedures set forth by the District were well-detailed and encompassed every area of the September 30 student count. These policies and procedures were sufficient to allow a new employee to conduct the September 30 student count within the guidelines set forth by both the District and the state.

Finding - continued: It was also our determination that these policies and procedures were being followed by the District as well as throughout the individual schools.

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding: The District properly reported enrollment figures to the DOE.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five "Individualized Education Program" (IEP) files at each school to verify that each file contains the required documentation in accordance with DOE's Administrative Manual for Special Education Services and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected were current and contained the required documentation in accordance with DOE's Administrative Manual for Special Education Services.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students' files contain the required documentation in accordance with the DOE's Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Finding: The District only reported students in the Cooperative Education Program. We found that all files selected were current and contained the required documentation in accordance with the DOE's Administrative Directives.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District's control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District's control procedures for monitoring and tracking salaries charged to the State's general fund are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls includes written policies and procedures to ensure that each control objective is met.

Finding - continued: The District provided us with their written policies concerning salaries. It is our determination that the policy did not constitute sufficient written policies and policies. Insufficient written policies and procedures create a greater risk of noncompliance with DE Code and the DOE regulations and guidelines.

Recommendation: It is our determination that the policy would be more effective if it were revised to include the following:

- References to regulations and guidelines as stipulated by the DOE
- References to pertinent sections of DE Code
- Detailed procedures in reconciling actual staff to Division I units
- A management review process of staff listings and reconciliations including a time frame in which this is to be completed

Auditee Response: The District has clearly defined roles and responsibilities for ensuring that only authorized positions are charged against state appropriations. To comply with the above finding the District has documented their existing procedures and current internal control process as referenced below:

The District's Chief Financial Officer (CFO) shall be responsible for ensuring that the authorized positions are charged in accordance with Title 14 Chapter 13 DE Code. The CFO shall maintain an electronic spreadsheet of all full-time and permanent part-time positions charged against state appropriations identified in Title 14 DE Code. The spreadsheet shall identify all applicable funding splits to ensure that only eligible state share of salary costs are charged to the applicable state appropriations. Twice each year, once during the November/December time period and once during the March/April time period, the CFO shall reconcile his records to the appropriate payroll reports to verify that actual payroll charges correspond to these records. Any discrepancies shall be corrected through the processing of an expenditure correction document at this time.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

Finding: When comparing the actual number of paid positions by category to the number of authorized positions as determined by the State it was determined that the District was operating within its number of authorized positions by category.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents =	100%
Assistant Superintendents =	100%
Principals =	100%
Directors =	100%
Classroom Teachers =	10%

Finding: The DOE Salary Schedule for 2004-2005 states that an employee with a Bachelor's Degree who was paid in accordance with the ten year step program for fiscal year ending June 30, 1994 should be paid at an index of 1.336 for the fiscal years ending June 30, 2000, 2001, 2002, 2003 and 2004. For the fiscal year ending June 30, 2005 and subsequent fiscal years, the employee should be paid at an index rate of 1.3277.

A teacher whose pay index should have changed in FY05 from 1.336 to 1.327 was not changed until FY06 due to human error. This resulted in an overpayment of \$207 during FY05.

Recommendation: The District should repay \$207 to the State of Delaware.

Auditee Response: The District concurs that the pay index for the above mentioned teacher was not correctly updated, resulting in an overcharge to the State of \$207. The District has since transferred \$207 from local funds to the State.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Finding: The District chose not to request a waiver from the DOE.

Agreed Upon Procedure Number 2: Review expenditure documents to determine if FY04 and FY05 occupational-vocational funds expended from July 1, 2004 through June 30, 2005 were (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS).

Finding: All expenditures, relating to FY04 and FY05 occupational-vocational funding, were determined to be (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in DFMS.

Agreed-Upon Procedure Number 3: Review financial records to determine if FY04 and FY05 occupational-vocational division funds were properly allocated to and spent by the schools within the District that generated the funding.

Finding: The District office allocates and monitors the spending of occupational-division funds by school to ensure that the school which generated the funding is the school utilizing the funding.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

Ballint, Lyons & Shuman, P.A.

December 19, 2005
Wilmington, Delaware